

**Testimony of Scott Rose  
Principal and Founder of Barrett Advisors LLC  
Before the Connecticut Insurance and Real Estate Committee  
March 13, 2012**

Thank you Chairmen Crisco and Megna, and members of the Committee. My name is Scott Rose, and I am the principal and founder of Barrett Advisors LLC, an asset management and advisory firm focused on advising investors on the purchase, sale and maintenance of life insurance policies. I am here today to testify in support of Raised Bill 953.

I formed Barrett Advisors in 2005 to provide advice to investors and insurance professionals on life insurance-based investments. Barrett currently manages and advises on approximately 1,500 policies, including over \$150 million in life insurance policies issued on Connecticut residents.

The previous witness spoke about the harm policyholders suffer when an insurance company raises the cost of insurance without adequate notice and disclosure. This bill is a good start. It will at least warn consumers that there is a risk that an insurance company could increase their premium payments. But I urge the committee to go further and amend the bill to include the disclosure obligations that were included in last year's bill. Simply put, consumers in this state deserve to know why their insurance company has raised the cost of insurance for their life insurance policy. But I would like to speak to another harm; the destruction of a market for policyholders to sell unwanted or unneeded policies.

A few decades ago, if a policyholder found himself with a policy he no longer needed or could no longer afford, he had two options: stop paying premiums or surrender the policy back

to the insurance company for a small sum. The insurance companies had a monopoly over this asset and that monopoly was reflected in very low surrender prices. The market stepped in to create competition. Now, policyholders can obtain substantially more for their policies by selling them on the secondary market.

To have a market where policyholders can obtain fair value, we need investors – like my clients – who are willing to purchase policies. What investors cannot factor in is the risk that the insurance company will be able to illegally drive up the cost of insurance on a policy to the point that it makes no financial sense to keep the policy in force. Investors will not buy policies while this risk exists. This already has happened with Phoenix policies. I can tell you right now that there is no meaningful market for Phoenix policies today. Any individual policyholder unlucky enough to own a Phoenix policy—and I understand there are thousands of people in Connecticut who fall into this group—is simply denied access to the market. They have LITERALLY NO OPTIONS to sell their policies to anyone.

Sophisticated investors, like many of my clients, are not willing to invest in assets whose value can be arbitrarily and materially changed by an insurance company without notice and justification. What we need is transparency—some light shone on the process—that will enable policyholders and regulators to quickly evaluate the justification and methodology of a proposed rate increase. This in turn will reassure investors that they are less likely to see the value of their investment unilaterally destroyed by an insurance company seeking to misuse rate increases to force policies into lapse. Again, we're not there yet. But Raised Bill 953 at least gives this committee something to work with.

In summary, I urge this committee to pass a bill that will (I) arm policyholders with the information they need to make informed decisions, and (II) give regulators the information they need to determine if enforcement action is warranted. For these reasons, I urge you to support Raised Bill 953, but amend it to give it some real teeth that will protect Connecticut consumers. Thank you again for the opportunity to testify today.

I would be happy to answer any questions you have.